

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: <u>Hartford Fire Board</u>	County Van Buren
Audit Date June 30, 2005	Opinion Date August 31, 2005	Date Accountant Report Submitted To State: November 15, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132])   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): <b>PLANTE &amp; MORAN, PLLC</b>			
Street Address 511 Renaissance Drive, Suite 120	City St. Joseph	State MI	ZIP 49085
Accountant Signature 			

Hartford Fire Board  
Van Buren County, Michigan

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Financial Report

June 30, 2005

# Hartford Fire Board

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## Independent Auditor's Report

To the Hartford Fire Board

We have audited the accompanying basic financial statements of the Hartford Fire Board as of and for the year ended June 30, 2005, as listed in the table of contents. These basic financial statements are the responsibility of the Fire Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Hartford Fire Board, as of June 30, 2005, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Hartford Fire Board has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

*Plante & Moran, PLLC*

August 31, 2005

# Hartford Fire Board

## Governmental Fund Balance Sheet/Statement of Net Assets June 30, 2005

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
<b>Assets</b>			
Cash and cash equivalents (Note 3)	<u>\$ 280,060</u>	<u>\$ -</u>	<u>\$ 280,060</u>
<b>Liabilities and Fund Balance</b>			
<b>Liabilities</b>			
Accounts payable	\$ 22,079	\$ -	\$ 22,079
Long-term debt (Note 4)	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	22,079	-	22,079
<b>Fund Balance</b>			
Unreserved:			
Designated (Note 5)	86,337	(86,337)	-
Undesignated	<u>171,644</u>	<u>(171,644)</u>	<u>-</u>
Total fund balance	<u>257,981</u>	<u>(257,981)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 280,060</u>	<u>(257,981)</u>	<u>22,079</u>
<b>Net Assets</b>			
Unrestricted		<u>\$ 257,981</u>	<u>\$ 257,981</u>

# Hartford Fire Board

## Statement of Governmental Fund Revenue, Expenditures and Changes in Fund Balance/Statement of Activities Year Ended June 30, 2005

	General Fund	Adjustments (Note 2)	Statement of Activities
<b>Revenue</b>			
Hartford Township	\$ 78,934	\$ -	\$ 78,934
City of Hartford	54,288	-	54,288
Other Townships	1,655	-	1,655
Interest	2,988	-	2,988
Miscellaneous	6,344	-	6,344
Total revenue	144,209	-	144,209
<b>Expenditures</b>			
Labor	29,375	-	29,375
Supplies	3,477	-	3,477
Insurance, legal, and audit	26,837	-	26,837
Telephone	2,486	-	2,486
Public education - Smoke alarms	3,700	-	3,700
Utilities	6,452	-	6,452
Repairs and maintenance	22,782	-	22,782
Capital expenditures	48,065	-	48,065
Debt service principal	13,862	(13,862)	-
Debt service interest	77	-	77
Training and dues	3,978	-	3,978
Uncollected property taxes	-	-	-
Total expenditures	161,091	(13,862)	147,229
<b>Excess (Deficiency) of Revenue Over Expenditures</b>	(16,882)	13,862	(3,020)
<b>Fund Balance/Net Assets - Beginning of year</b>	274,863	(13,862)	261,001
<b>Fund Balance/Net Assets - End of year</b>	<b>\$ 257,981</b>	<b>\$ -</b>	<b>\$ 257,981</b>

# Hartford Fire Board

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Notes to Financial Statements  
June 30, 2005

## Note 1 - Nature of Organization and Summary of Significant Accounting Policies

**Reporting Entity** - The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Accordingly, there are no component units to be included in the Fire Board's financial report.

The Fire Board is a joint venture between the City of Hartford and Hartford Township and is governed by an appointed five-member board. The Fire Board's operating expenses are subsidized annually as follows: 40 percent City and 60 percent Township.

The accounting policies of the Fire Board conform to accounting principles generally accepted in the United States of America, as applicable to governmental units. The financial statements have been prepared using full accrual accounting for all of the Fire Board's activities.

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The Fire Board's basic financial statements include both government-wide (reporting the Fire Board as a whole) and fund financial statements (reporting the Fire Board's major fund).

#### **Government-wide Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Fire Board's net assets are reported in as unrestricted.

### Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued)

#### **Fund Financial Statements**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Fire Board considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the fiscal period. All other revenue items are considered to be available only when cash is received by the Fire Board.

The Fire Board reports only one major fund - the General Fund.

#### **Assets, Liabilities, and Net Assets**

**Bank Deposits and Investments** - The Fire Board considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

**Capital Assets** - Capital assets are the property of the respective governmental units of the Fire Board and are accounted for in their financial statements.

**Long-term Obligations** - In the government-wide financial statements, long-term debt is reported as a liability in the General Fund. In the fund financial statements, the face amount of debt issued is reported as other financing sources.



# Hartford Fire Board

## Notes to Financial Statements June 30, 2005

### Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued)

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Other accounting policies are disclosed in other notes to the financial statements.

### Note 2 - Reconciliation of Government-wide and Fund Financial Statements

Total fund balances and the net change in fund balances of the Fire Board's governmental funds differ from net assets and change in net assets of the governmental activities reported in the statement of net assets and statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the economic focus of the statement of the governmental fund balance sheet and statement of revenue, expenditures, and changes in fund balances. The following is a reconciliation of fund balance to net assets and the net change in fund balance to the net change in net assets:

<b>Net Change in Fund Balance - Governmental Fund</b>	\$ (16,882)
Repayment of debt principal is an expenditure in the governmental fund, but not in the statement of activities (where it reduces long-term debt)	<u>13,862</u>
<b>Change in Net Asset of Governmental Activities</b>	<u><u>\$ (3,020)</u></u>

# Hartford Fire Board

## Notes to Financial Statements June 30, 2005

### Note 3 - Deposits

Michigan Compiled Laws section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized all of the above investments.

The Fire Board has designated two banks for the deposit of its funds. The Fire Board's deposits and investment policies are in accordance with statutory authority.

The Fire Board's cash is subject to several types of risk, which are examined in more detail below:

#### Custodial Credit Risk of Bank Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year end, the Fire Board had \$80,060 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The Fire Board believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Fire Board evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

### Note 4 - Long-Term Debt

**Changes In Long-term Debt** - The following is a summary of long-term debt transactions of the Fire Board for the year ended June 30, 2005:

<b>Balance</b> - July 1, 2004	\$ 13,862
Debt retired	<u>(13,862)</u>
<b>Balance</b> - June 30, 2005	<u><u>\$ -</u></u>

**Interest** - Total interest incurred by the Fire Board for the year was \$77.

# Hartford Fire Board

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## Notes to Financial Statements June 30, 2005

### Note 5 - Designated Fund Balance

The Fire Board has designated \$86,337 for the future refurbishing of an aerial truck.

### Note 6 - Risk Management

The Fire Board is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation). The Fire Board has purchased commercial insurance for claims relating to the above risks.

### Note 7 - Budget Information

The annual budget is prepared by the Fire Board management and presented to the City of Hartford and Hartford Township for approval; subsequent amendments are approved by the Fire Board. Unexpended appropriations lapse at year-end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2005 has not been calculated.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget statement (budgetary comparison schedule – general fund) is presented on the same basis of accounting used in preparing the adopted budget.

The expenditure budget has been adopted on a line item basis; expenditures at this level in excess of amounts budgeted is a violation of Michigan law. A comparison of actual results of operations to the General Fund budget as adopted by the City and Township is included in the required supplementary information

## Required Supplementary Information

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# Hartford Fire Board

## Required Supplementary Information Budgetary Comparison Schedule – General Fund Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenue</b>				
Hartford Township	\$	\$	\$ 78,934	\$
City of Hartford			54,288	
Other Townships			1,655	
Interest			2,988	
Miscellaneous			6,344	
Total revenue	144,159	147,579	144,209	(3,370)
<b>Expenditures</b>				
Labor	42,962	30,962	29,375	1,587
Supplies	4,443	4,443	3,477	966
Insurance, legal, and audit	26,209	27,209	26,837	372
Telephone	2,593	2,593	2,486	107
Public education - Smoke alarms	1,401	3,821	3,700	121
Utilities	8,199	8,199	6,452	1,747
Repairs and maintenance	13,309	12,309	22,782	(10,473)
Capital expenditures	19,507	32,507	48,065	(15,558)
Debt payments	20,937	20,937	13,939	6,998
Training and dues	4,599	4,599	3,978	621
Total expenditures	144,159	147,579	161,091	(13,512)
<b>Deficiency of Revenue Over Expenditures</b>	-	-	(16,882)	(16,882)
<b>Fund Balance - Beginning of year</b>	274,863	274,863	274,863	-
<b>Fund Balance - End of year</b>	<u>\$ 274,863</u>	<u>\$ 274,863</u>	<u>\$ 257,981</u>	<u>\$ (16,882)</u>



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To the Board  
Hartford Fire Board  
Hartford, Michigan

In planning and performing our audit of the financial statements of the Hartford Fire Board for the year ended June 30, 2005, we considered the Fire Board's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. The consideration we gave to the internal control structure was not sufficient for us to provide any form of assurance on it. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions are significant deficiencies in the design or operation of the internal control structure that have come to our attention and, in our judgment, could adversely affect the Fire Board's ability to record, process, summarize, and report financial data consistent with management's assertions inherent in the financial statements. This report contains items considered to be reportable conditions, as defined above, as well as other items we feel warrant your consideration.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

## **SEGREGATION OF DUTIES**

Control over cash transactions is limited because of insufficient segregation of duties due to limited personnel. Management feels adequate segregation of duties is not practical because hiring additional personnel is not warranted from a cost-benefit standpoint.

## **Journal Entries**

QuickBooks is a new system to the Fire Board this year. Some journal entries were made to setup the system when it was implemented. When journal entries are entered, a detailed description should be included that will provide enough description so that anyone can understand the purpose behind the entry.

## **BUDGET**

It is required by the State of Michigan that all governmental entities adopt a budget in compliance with P.A. 621. To comply with this act, the following step should be taken in the future:

- The format should also include information on actual and estimated amounts from the prior two years.

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We sincerely thank you and appreciate the courtesy and cooperation extended to us by you and members of your organization during the audit. We appreciate the opportunity to present these recommendations for your consideration and will be pleased to discuss them further at your convenience.

This report is intended solely for the information and use of the management and others within the organization.

*Plante & Moran, PLLC*

August 31, 2005